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2012 Safe Drinking Water State Revolving Fund
Ownership, Water Rights, and Financial Documentation
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Water system ownership and water rights issues, as well as legal entity formation and financial documentation requirements have been major sources of application delay or bypass in funding projects under the Safe Drinking Water State Revolving Fund. The Department of Public Health (CDPH) cannot execute a funding agreement with a water system that has not demonstrated that it is a legal entity that owns or has long-term use agreements to the water, land and facilities that are essential to the reliable operation of the water system. In order to help fund projects in a timely manner, these issues are now being addressed at the beginning of the application process.

After the universal pre-application has been submitted, applicants are ranked, and a project priority list (PPL) is developed. CDPH will send a statement of intent (SOI) to fund your project if your project is ranked high enough on the PPL. You will need to respond to the SOI stating whether you intend to file a full application.

You must submit complete and current documentation with your full application for planning or construction funding demonstrating that the water system is a fully formed legal entity that owns or has long-term use agreements for the water, land and facilities necessary for the reliable operation of the water system. You must also submit the necessary financial documentation as well as the necessary documentation demonstrating that the legal entity that owns the water system is fully formed and in good standing under applicable State and local laws. This documentation will be reviewed, and if not complete, your application will not be processed until such documentation is made available. Furthermore, your application may be bypassed if you fail to submit the necessary ownership, water rights and financial information. CDPH can provide help assembling the required documentation through CDPH's technical assistance providers. It is important to begin the documentation process early so you will be fully prepared at the application deadline.

For private entities, please find the type of legal entity from the following list that best describes your water system. Make sure that you can provide current and complete documentation required for that type of legal entity. If you cannot, contact your district engineer or local primacy agency and request technical assistance.

For both public and private entities, please see the list below of the financial documents that will be required in a SDWSRF application.

LEGAL ENTITY, OWNERSHIP AND WATER RIGHTS REQUIREMENTS FOR PRIVATE ENTITIES
By Type of Legal Entity

A. Sole Proprietorship *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If land and facilities are not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. A Fictitious Name Certificate (The name on the certificate must match the name on the domestic water supply permit); and
4. Your IRS Schedule "E" or "C" from the three most recent tax returns; and
5. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

B. General Partnership *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If land and facilities are not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Formation Papers: A notarized Partnership Agreement; and
4. IRS Schedule K-1 submissions from the three most recent tax returns; and
5. Majority owner's last three years of personal tax returns; and
6. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

C. Limited Partnership *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Formation Papers: Articles of Organization, Operating Agreement; and
4. Corporation's IRS Schedule K-1 submissions from the three most recent tax returns; and
5. Majority owners' last three years of personal tax returns; and
6. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

D. Limited Liability Company *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Corporation IRS Schedule K-1 submissions from the three most recent federal tax returns; and
4. Majority Owners (20% of More) last three years of personal federal tax returns; and
5. Formation Papers: Articles of Incorporation, Bylaws; and
6. California Secretary of State Entity Number as well as your water system's filing status with the California Secretary of State; and
7. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

E. For Profit Corporation *(will need to provide at the time of application)*

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Formation Papers: Articles of Incorporation, Bylaws; and
4. California Secretary of State Entity Number as well as the water system's filing status with the California Secretary of State; and
5. If you are in an adjudicated water basin or rely on surface water, documentation of a water rights agreement of sufficient capacity.

F. Non Profit Corporations *will need to provide at the time of application*
(includes non profit mutual water companies)

1. A current domestic water supply permit; and
2. Either
 - a. A Deed of Trust for the land and facilities that are essential to the reliable operation of the water system; or
 - b. If not legally owned, an agreement for the long term use or lease of the land and facilities including storage tanks and conveyance lines;and
3. Formation Papers: Articles of Incorporation, Bylaws; and
4. California Secretary of State Entity Number as well as the water system's filing status with the California Secretary of State; and
5. Corporation's federal tax exempt status IRS 503(c)(3) or IRS 503(c)(4)
6. If you are in an adjudicated water basin or rely on surface water, documentation of water rights agreement of sufficient capacity.

Information relating to Corporations, Limited Liabilities Corporations and Limited Partnership filings with the Secretary of State can be found at the following website:

<http://kepler.sos.ca.gov/>

FINANCIAL REQUIREMENTS DOCUMENTATION

For both Public and Private Entities

1. 5 years revenue/expenditure projection for the water system; and
2. Either
 - a. Most recent 3 years of audited financial statements; or
 - b. Most recent 3 years of both federal tax returns, and balance sheets;and
3. Current debt-to-equity ratio equal to or less than 1.0 (The debt-to-equity ratio for any given year is computed by dividing the total liabilities by total equity); and
4. Debt coverage ratio equal to, or greater than, 1.2 The debt coverage ratio is computed by dividing cash available for debt service, (net income with annual interest, depreciation, amortization, and other non-cash items added back) by debt service requirements for the year.